

So, you are a financial manager... now what?

Presentation to PAG regarding best practices for expense reimbursement and credit card reconciliation

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Your role in the fiscal management and safeguarding of College assets

- As a manager of a department, the College relies on you to monitor that all funds under your management are spent appropriately within your budget.
- It is perfectly acceptable to entrust a member of your staff to perform daily functions that provide comfort that transactions running through your accounts are valid and appropriate.
- However, when your signature is required, it is expected that YOU have actually reviewed the contents of a document, the supporting documentation and you are actively approving the transaction.

What should I be looking at?

- The College relies on a system of internal controls to safeguard its financial assets. As a department head or supervisor you are a key element of the internal control system. As part of your position you are expected to monitor financial activity in your area. This includes but is not limited to:
- Monthly review of your Peoplesoft Financial reports
 - DPSM – Summary of all the accounts that you manage
 - MTD and YTD Transactions – listing of both month-to-date and year-to-date transactions
- Careful review of all invoices charged to your account
- Thorough review of all travel expense reports and the purchasing card reconciliation.

I thought the Controller's Office did that? Why do I need to worry about it?

- The Controller's Office reviews every purchasing card reconciliation, accounts payable voucher, journal entry, and cash receipt before processing.
- However, as part of that review, the Controller's Office staff relies heavily on the approval of the department head/supervisor.

The Chain of Responsibility

Every transaction must be reviewed. No one is exempt from having their transactions reviewed. Staff have their transactions reviewed by a Supervisor. Supervisors by Department Heads, Department Heads by Senior Staff and Senior Staff by the President (or in the case of Senior Staff travel, the Controller). The President's travel is reviewed by the Chair of the Audit Committee.

Example 1

- Employee submits a voucher or purchasing card reconciliation with the purchase of a piece of computer or technical equipment.
- Controller's Office reviewer does not know what that piece of equipment is or what it does.
- Reviewer sees that the Director of the Department has signed the Purchasing Card recon, and made a check mark (or ok sign) on the receipt for the equipment.
- Reviewer will conclude that the equipment is appropriate and approved and will process the voucher or recon.

Example 2 (a more fun example – True story !)

- Reviewer sees “pantyhose” within a Stop and Shop receipt for a professor. Reviewer says “hmmmm”, and asks the professor if perhaps by accident he picked up a personal item while doing the shopping for a work related event. Turns out the pantyhose were used as a filter for science work being performed.
- How to avoid that embarrassing situation – provide really good descriptions !

How to help the process

- Encourage your staff to be very clear and complete with their descriptions.
 - This will help you do your review
 - This will give you more confidence that all is in order
 - This will avoid the Controller's Office disturbing your staff and possibly you with follow up questions
 - This will avoid any questions from our auditors

Follow up on trends, nip bad behavior in the bud

- Be aware of staff who are chronically late submitting purchasing card recons.
- Be aware of staff who are not providing receipts or who are routinely including a lost receipt affidavit in their recon.
- If you do not convey to your staff that this is important it will not be important to them.

How do I make this matter to my staff?

- Make the monitoring of spending against budget part of the annual evaluation of your staff.
- Make the timely and properly documented submission of financial accounting transactions, including expense reports and credit card reconciliations part of the annual evaluation of your staff.
- Require approval from you for any expense above a certain amount that makes sense for your department and/or approval from you for any expense outside the normal course of business.
- For staff that travel, require them to acknowledge that they have read the travel guidelines, understand how to process reimbursement requests and credit card reconciliations.

The Five Questions

- **In general all expenses should be supported with documentation noting Who, What , When, Where , Why**
- Who – who incurred the expense, who was at the meal (self and)
- Why - what was the business purpose of the expense (dinner with colleagues at a conference)
- What – what was purchased (attached **Itemized** restaurant receipt)
- When – when did the expense occur (date)
- Where – where did the travel / meal take place (NYC Controller's Conference, Hilton Hotel)

Documentation checklist

Things to look for when viewing vouchers, pcard recons, invoices

1. Signature of cardholder and/or supervisor
2. Original receipts
3. Detailed receipts from restaurants (showing food purchased)
4. Detailed receipts from retail stores (showing items purchased)
5. Detailed receipts from hotels (listing charges)
6. Detailed receipt from Amazon.com showing books purchased
7. Please take note of where items are shipped (office not home)
8. Gasoline should only be purchased for rental cars - not zip cars, not personal cars
9. Please take note if there is a pattern of missing receipts from a cardholder or if there is more than one missing receipt in a monthly recon
10. Credit card statements cannot be used as receipt
11. All items should be received or services rendered before payment is released
12. Costs should be reasonable (not extravagant)

Training

- The Controller's Office staff would be delighted to come to your office, staff meeting, or any venue you chose to talk with your staff about how to properly fill out financial transaction forms, proper documentation of expenses, how to read financial reports... any subject at all. Call or e-mail Sue Hogan and we can design a great program that meets the individual needs of your department.

Oops, I made a mistake....

- In the event the College PCard is accidentally used for personal expenses, or if there is a personal item within the items purchased at a retail store, the personal expense must be reimbursed promptly at the time the reconciliation is done or sooner. A **pattern** of personal use of the pcard should be discussed with the employee and continued behavior will result in losing their pcard. We have smart employees, mistakes should be minimal... 😊

How will I know if my staff is not submitting documents in a timely manner?

- The Controller's Office keeps a log of all cardholders and monitors when cardholders have charges and when their reconciliations are received.
- The Controller's Office will notify the cardholder and the direct supervisor when a cardholder is delinquent on their reconciliations.

What does my signature mean?

- An authorizing signature on a payroll time sheet, an expense report, or other financial transaction form (journal entry, voucher, cash deposit) signals that the person signing has reviewed the document, approves of the information provided on the document and that the information is appropriate and authorized in the course of business.
- Don't sign anything you aren't sure about or wouldn't want to be asked about later....

A control self-evaluation

- I put together the following short self evaluation that department heads can do to highlight some things that they should be attentive to in order to be excellent financial managers
- I would be very happy to review these items with you.

Department self evaluation tool

Yes ___ No ___ Not applicable

- **Physical Assets: (inventory, office equipment, office supplies)**
- A physical count of inventory is taken periodically.
- An inspection of the area where inventory, office equipment, office supplies are stored to identify potential leaks and other sources of damages is done periodically.
- All items of value are kept in a locked area. Access to the area is limited.
- **Financial Assets: (operating funds, petty cash, etc.)**
- All expenditures and journal entry transfers are reviewed and approved.
- All travel expenditures are reviewed for compliance with Williams College Travel Guidelines.
- Financial reports are reviewed periodically to ensure accuracy of transactions and compliance with authorized budget.
- Corporate credit card reconciliations are reviewed and approved.
- Departmental phone bills, supply usage, etc. are monitored for unusual activity.

Control self evaluation cont'd

- **Confidential Information: (records containing sensitive and private information)**
- All confidential information is kept in a locked environment when not in use.
- Confidential information is properly disposed of.
- Confidential information is not shared with unauthorized individuals.
- **Document Retention**
- My department has a document retention policy? Is it followed?

Controls self evaluation – cont'd

- **Payroll**
- Time cards are completed in ink, reviewed by a supervisor, and delivered directly to HR (e.g. not returned to an employee).
- Supervisor monitors that all employees (including students) have submitted time cards
- Supervisor monitors for overtime

Other controls: (please describe controls that are unique to your area)

References and Support

- The Travel and Business Guidelines spell out in detail the College's policies on travel expenses and the use of pcards.
- Controller's Office staff contacts:
Abby Bienkowski x4413
Laurie Barbeau x4009
Melissa Mongeon x4453